

*Township of Sparta*  
*Kent County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2008*

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## INDEPENDENT AUDITORS' REPORT

**Sparta Township Board  
Township of Sparta, Michigan**

**We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Sparta, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.**

**We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.**

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sparta, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.**

**The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.**

**The Township of Sparta, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.**

*Siegfried Crandall P.C.*

July 23, 2008



1958-2008

## **BASIC FINANCIAL STATEMENTS**

**Township of Sparta**  
**STATEMENT OF NET ASSETS**  
March 31, 2008

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	<u><b>Governmental activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 909,411
Investments	212,683
Prepaid expenses	7,530
Receivables	<u>90,170</u>
Total current assets	1,219,794
Noncurrent assets - capital assets, net of accumulated depreciation	<u>385,011</u>
Total assets	<u>1,604,805</u>
<b>LIABILITIES</b>	
Current liabilities:	
Payables	14,760
Escrow deposits	<u>12,345</u>
Total current liabilities	<u>27,105</u>
<b>NET ASSETS</b>	
Invested in capital assets	385,011
Restricted for capital projects	40,364
Unrestricted	<u>1,152,325</u>
Total net assets	<u>\$ 1,577,700</u>

See notes to financial statements

**Township of Sparta**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2008

		<u>Program revenues</u>		<u>Net (expenses)</u> <u>revenues and</u> <u>changes in</u> <u>net assets</u>
		<u>Charges for</u> <u>services</u>	<u>Operating</u> <u>grants and</u> <u>contributions</u>	<u>Governmental</u> <u>activities</u>
<b>Functions/Programs</b>	<u>Expenses</u>			
Governmental activities:				
Legislative	\$ 8,046	\$ -	\$ -	\$ (8,046)
General government	333,989	133,809	-	(200,180)
Public safety	304,615	41,575	-	(263,040)
Public works	30,799	-	5,080	(25,719)
Recreation and culture	194,837	28,725	48,539	(117,573)
Community and economic development	<u>3,215</u>	<u>2,350</u>	<u>-</u>	<u>(865)</u>
Total governmental activities	<u>\$ 875,501</u>	<u>\$ 206,459</u>	<u>\$ 53,619</u>	<u>(615,423)</u>
General revenues:				
Property taxes				313,204
State shared revenue				326,766
Franchise fees				24,430
Interest income				46,743
Other				<u>9,104</u>
Total general revenues				<u>720,247</u>
Change in net assets				104,824
Net assets - beginning				<u>1,472,876</u>
Net assets - ending				<u>\$ 1,577,700</u>

See notes to financial statements

**Township of Sparta**  
**BALANCE SHEET - governmental funds**  
March 31, 2008

	<u>Major funds</u>		<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
	<u>General</u>	<u>Library</u>		
<b>ASSETS</b>				
Cash	\$ 849,123	\$ 19,924	\$ 40,364	\$ 909,411
Investments	212,683	-	-	212,683
Receivables	90,170	-	-	90,170
Total assets	<u>\$ 1,151,976</u>	<u>\$ 19,924</u>	<u>\$ 40,364</u>	<u>\$ 1,212,264</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables	\$ 14,760	\$ -	\$ -	\$ 14,760
Escrow deposits	12,345	-	-	12,345
Total liabilities	<u>27,105</u>	<u>-</u>	<u>-</u>	<u>27,105</u>
Fund balances:				
Unreserved:				
Designated	113,123	-	-	113,123
Undesignated	1,011,748	19,924	-	1,031,672
Undesignated, reported in non-major - Capital project fund	-	-	40,364	40,364
Total fund balances	<u>1,124,871</u>	<u>19,924</u>	<u>40,364</u>	<u>1,185,159</u>
Total liabilities and fund balances	<u>\$ 1,151,976</u>	<u>\$ 19,924</u>	<u>\$ 40,364</u>	<u>\$ 1,212,264</u>

Fund balances - all governmental funds \$ 1,185,159

Amounts reported for *governmental activities* in the statement of net assets are different because:

Assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds:

Prepaid expenses	7,530
Capital assets	<u>385,011</u>

Net assets of *governmental activities* (page 4) \$ 1,577,700

See notes to financial statements

**Township of Sparta****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended March 31, 2008

	<b>Major funds</b>		<b>Nonmajor governmental funds</b>	<b>Total governmental funds</b>
	<b>General</b>	<b>Library</b>		
<b>REVENUES</b>				
Property taxes	\$ 351,515	\$ -	\$ 58,298	\$ 409,813
Licenses and permits	68,355	-	-	68,355
State grants	331,846	6,420	-	338,266
Charges for services	37,200	-	-	37,200
Interest and rentals	41,979	4,500	264	46,743
Fines and forfeitures	-	17,973	-	17,973
Other	13,755	12,771	40,100	66,626
Total revenues	844,650	41,664	98,662	984,976
<b>EXPENDITURES</b>				
Legislative	8,046	-	-	8,046
General government	339,614	-	-	339,614
Public safety	246,317	-	58,298	304,615
Public works	30,799	-	-	30,799
Community and economic development	3,215	-	-	3,215
Recreation and culture	15,034	168,807	-	183,841
Capital outlay	744	1,455	-	2,199
Total expenditures	643,769	170,262	58,298	872,329
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	200,881	(128,598)	40,364	112,647
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	134,500	-	134,500
Transfers out	(134,500)	-	-	(134,500)
Total other sources (uses)	(134,500)	134,500	-	-
<b>NET CHANGES IN FUND BALANCES</b>	66,381	5,902	40,364	112,647
<b>FUND BALANCES - BEGINNING</b>	1,058,490	14,022	-	1,072,512
<b>FUND BALANCES - ENDING</b>	\$ 1,124,871	\$ 19,924	\$ 40,364	\$ 1,185,159

See notes to financial statements



***Township of Sparta***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - *governmental funds* (Continued)**

*Year ended March 31, 2008*

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	<b><i>Total governmental funds</i></b>
	<hr/>
Net change in fund balances - total governmental funds (page 7)	\$ 112,647
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Increase in prepaid expenses	7,530
Capital assets:	
Assets acquired	13,879
Provision for depreciation	<hr/> (29,232)
Change in net assets of <i>governmental activities</i> (page 5)	<hr/> \$ 104,824 <hr/>

*See notes to financial statements*

**Township of Sparta**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Sparta, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Township.

**Township of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Library Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for operation of the Sparta Library.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

*iv) Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets, with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

**Township of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

*iv) Capital assets (continued)*

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment	5 - 20 years

*v) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vi) Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no significant budget variances during the current fiscal year.

**NOTE 3 - CASH AND INVESTMENTS:**

At March 31, 2008, cash and investments consist of the following:

Deposits with financial institutions	\$ 909,411
Investments	<u>212,683</u>
Total	<u>\$ 1,122,094</u>

*Deposits with financial institutions:*

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

**Township of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH AND INVESTMENTS (Continued):**

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2008, \$635,246 of the Township's bank balances of \$935,755 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

*Investments:*

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments.

The Township's investments consist of holdings in the Kent County Investment Pool, which are nonrisk categorized, qualifying investments, and are carried at cost, which approximates fair market value.

**NOTE 4 - RECEIVABLES:**

At March 31, 2008, receivables of the Township's funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Total</u>
General	<u>\$ 10,000</u>	<u>\$ 26,574</u>	<u>\$ 53,596</u>	<u>\$ 90,170</u>

All receivables are considered to be fully collectable and are due within one year.

**Township of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 603,621	\$ -	\$ -	\$ 603,621
Equipment and library books	<u>380,199</u>	<u>13,879</u>	<u>(12,000)</u>	<u>382,078</u>
Subtotal	<u>983,820</u>	<u>13,879</u>	<u>(12,000)</u>	<u>985,699</u>
Less accumulated depreciation for:				
Buildings and improvements	(294,767)	(12,409)	-	(307,176)
Equipment and library books	<u>(288,689)</u>	<u>(16,823)</u>	<u>12,000</u>	<u>(293,512)</u>
Subtotal	<u>(583,456)</u>	<u>(29,232)</u>	<u>12,000</u>	<u>(600,688)</u>
Total capital assets being depreciated, net	<u>\$ 400,364</u>	<u>\$ (15,353)</u>	<u>\$ -</u>	<u>\$ 385,011</u>

Depreciation expense was charged to functions of the Township as follows:

General government	\$ 8,291
Recreation and culture	<u>20,941</u>
	<u>\$ 29,232</u>

**NOTE 6 - PAYABLES:**

At March 31, 2008, payables of the Township's funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Total</u>
General	<u>\$ 10,396</u>	<u>\$ 4,364</u>	<u>\$ 14,760</u>

**Township of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides pension benefits for all of its employees through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan statutes assign the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township contributes amounts ranging from \$150 to \$1,200 to the plan and the contributions are fully vested immediately. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

The Township made required contributions of \$5,200 for the year ended March 31, 2008.

**NOTE 8 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended March 31, 2008, is as follows:

Revenues	\$ 41,345
Expenses	<u>(50,866)</u>
Deficiency of revenues over expenses	\$ <u>(9,521)</u>

**NOTE 9 - JOINT VENTURE:**

*Sparta Fire Department:*

The Township is a participant in the Sparta Fire Department (the Department) along with the Village of Sparta. The administrative board of the Department consists of members appointed by each participating unit. The Department was formed for the purpose of providing fire protection to the Sparta area. The Township has no equity interest in the Department; therefore, financial information of the Department has not been included in the Township's financial statements.

Costs of operations and capital asset acquisitions of the Department are supported by contributions from the Township, which contributes two-thirds, and the Village of Sparta, which contributes one-third, of the Fire Department's proposed budget. During the year ended March 31, 2008, the Township paid the Department \$258,298.

Complete financial statements for the Department can be obtained from the Sparta Fire Department at 36 Elmwood Street, Sparta, Michigan 49345.

**NOTE 10 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**Township of Sparta**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 355,400	\$ 355,400	\$ 351,515	\$ (3,885)
Licenses and permits	59,325	59,325	68,355	9,030
State grants	332,750	332,750	331,846	(904)
Charges for services	31,300	31,300	37,200	5,900
Interest and rentals	28,000	28,000	41,979	13,979
Other	7,850	7,850	13,755	5,905
Total revenues	<u>814,625</u>	<u>814,625</u>	<u>844,650</u>	<u>30,025</u>
<b>EXPENDITURES</b>				
Legislative	<u>7,995</u>	<u>7,995</u>	<u>8,046</u>	<u>(51)</u>
General government:				
Supervisor	23,690	23,690	23,738	(48)
Election	8,000	8,000	6,044	1,956
Assessor	47,910	47,910	47,962	(52)
Clerk	49,870	49,870	51,720	(1,850)
Board of Review	1,510	1,510	1,400	110
Treasurer	41,850	41,850	39,862	1,988
Hall and grounds	40,700	40,700	49,351	(8,651)
Cemetery	54,410	54,410	48,190	6,220
Historical commission	12,250	12,250	11,098	1,152
Professional services	39,000	39,000	25,152	13,848
Other	45,600	45,600	35,097	10,503
Total general government	<u>364,790</u>	<u>364,790</u>	<u>339,614</u>	<u>25,176</u>
Public safety:				
Building inspections	44,945	44,945	41,641	3,304
Fire protection	207,825	207,825	204,676	3,149
Total public safety	<u>252,770</u>	<u>252,770</u>	<u>246,317</u>	<u>6,453</u>

**Township of Sparta**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Public works:				
Road maintenance	\$ 30,000	\$ 30,000	\$ 27,681	\$ 2,319
Street lighting	1,400	1,400	1,614	(214)
Drains	<u>2,000</u>	<u>2,000</u>	<u>1,504</u>	<u>496</u>
Total public works	<u>33,400</u>	<u>33,400</u>	<u>30,799</u>	<u>2,601</u>
Community and economic development - planning and zoning	<u>10,800</u>	<u>10,800</u>	<u>3,215</u>	<u>7,585</u>
Recreation and culture	<u>8,000</u>	<u>13,600</u>	<u>15,034</u>	<u>(1,434)</u>
Capital outlay	<u>4,000</u>	<u>4,000</u>	<u>744</u>	<u>3,256</u>
Total expenditures	<u>681,755</u>	<u>687,355</u>	<u>643,769</u>	<u>43,586</u>
<b>EXCESS OF REVENUES OVER     EXPENDITURES</b>	132,870	127,270	200,881	73,611
<b>OTHER FINANCING USES</b>				
Transfer out - Library Fund	<u>(134,500)</u>	<u>(134,500)</u>	<u>(134,500)</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	(1,630)	(7,230)	66,381	73,611
<b>FUND BALANCES - BEGINNING</b>	<u>1,058,490</u>	<u>1,058,490</u>	<u>1,058,490</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$1,056,860</u>	<u>\$1,051,260</u>	<u>\$1,124,871</u>	<u>\$ 73,611</u>

**Township of Sparta**  
**BUDGETARY COMPARISON SCHEDULE - Library Fund**  
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 5,200	\$ 5,200	\$ 6,420	\$ 1,220
Interest	2,000	2,000	4,500	2,500
Fines and forfeitures	16,400	16,400	17,973	1,573
Other	9,550	9,550	12,771	3,221
Total revenues	<u>33,150</u>	<u>33,150</u>	<u>41,664</u>	<u>8,514</u>
<b>EXPENDITURES</b>				
Recreation and culture	171,300	171,300	168,807	2,493
Capital outlay	1,500	1,500	1,455	45
Total expenditures	<u>172,800</u>	<u>172,800</u>	<u>170,262</u>	<u>2,538</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(139,650)	(139,650)	(128,598)	11,052
<b>OTHER FINANCING SOURCES</b>				
Transfer in - General Fund	<u>134,500</u>	<u>134,500</u>	<u>134,500</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	(5,150)	(5,150)	5,902	11,052
<b>FUND BALANCES - BEGINNING</b>	<u>14,022</u>	<u>14,022</u>	<u>14,022</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 8,872</u>	<u>\$ 8,872</u>	<u>\$ 19,924</u>	<u>\$ 11,052</u>

## **SUPPLEMENTARY INFORMATION**

**Township of Sparta**

**COMBINING BALANCE SHEET - nonmajor governmental funds**

March 31, 2008

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	<u>Special Revenue</u>	<u>Capital project</u>	
	<u>Fire</u>	<u>Historical Commission</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash	\$ -	\$ 40,364	\$ 40,364
<b>FUND BALANCES</b>			
Unreserved, undesignated	\$ -	\$ 40,364	\$ 40,364

**Township of Sparta****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - nonmajor governmental funds***Year ended March 31, 2008*

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	<u>Special Revenue</u>	<u>Capital Project</u>	
	<u>Fire</u>	<u>Historical Commission</u>	<u>Totals</u>
<b>REVENUES</b>			
Property taxes	\$ 58,298	\$ -	\$ 58,298
Interest	-	264	264
Other	-	40,100	40,100
Total revenues	58,298	40,364	98,662
<b>EXPENDITURES</b>			
Public safety	58,298	-	58,298
<b>NET CHANGE IN FUND BALANCES</b>	-	40,364	40,364
<b>FUND BALANCES - BEGINNING</b>	-	-	-
<b>FUND BALANCES - ENDING</b>	\$ -	\$ 40,364	\$ 40,364

July 23, 2008

To the Board of Trustees  
Township of Sparta

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Sparta for the year ended March 31, 2008, and have issued our report thereon dated July 23, 2008. Professional standards require that we provide you with the following information related to our audit.

*Our Responsibility under U.S. Generally Accepted Auditing Standards*

As stated in our engagement letter dated March 11, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Sparta are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township of Sparta during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Sparta's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the Township of Sparta as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Sparta's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.



Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Sparta and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*